

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Ingersoll Township	County Midland
Audit Date June 30, 2004	Opinion Date September 9, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

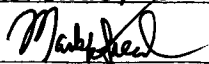
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Burnside & Lang, P.C.			
Street Address 5915 Eastman Avenue, Suite 100	City Midland	State MI	ZIP 48640
Accountant Signature  C.P.A. C&P 11/09/05			

INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended June 30, 2004

INGERSOLL TOWNSHIP
BOARD OF TRUSTEES

Curtis Shaffner

Supervisor

Nancy Dashiell

Treasurer

Mary Ellen Keel

Clerk

Daniel Cline

Trustee

Charles W. Tabb

Trustee

POPULATION-2000
3,018

STATE EQUALIZED VALUATION-2003
\$82,289,500

STATE TAXABLE VALUE-2003
\$65,235,094

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
June 30, 2004**

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Independent Auditors' Report

Members of The Township
Board of Trustees
Ingersoll Township
Midland County, Michigan

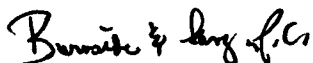
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ingersoll Township (the "Township"), Midland County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ingersoll Township, Midland County, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No.34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan
September 9, 2004

Management's Discussion and Analysis

As the Township Board of Ingersoll Township, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Ingersoll Township for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of Ingersoll Township exceeded its liabilities at the close of the most recent fiscal year by \$828,720 (net assets). Of this amount, \$346,920 (unrestricted net assets) may be used to meet the township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Ingersoll Township's governmental funds reported combined ending fund balances of \$462,234, an \$8,029 increase in comparison with the prior year. Of the total amount, \$450,247, is available for spending at the township's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$338,413, or 101 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Ingersoll Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements are designed to provide readers with a broad overview of the Township's finances. Statement of net assets presents information on all of the Township's assets and liabilities and the statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year.

The government-wide financial statements can be found on pages 4-5 of this report.

Ingersoll Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Ingersoll Township maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund and solid waste fund which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and solid waste fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Ingersoll Township maintains two fiduciary funds, the Tax Collection fund, and the McKinley Woods Association fund, which is used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds not available to support the Township's own programs.

The basic fiduciary fund financial statements can be found on page 10 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-18 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to decrease in the 2004-2005 fiscal year. The Township budgeted for a decrease in state-shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. The Township's millage rate was reduced again by the Headlee Amendment rollback to 1.1991 mills for general operating purposes. These factors were considered in preparing the Township's budget for the 2004-2005 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Ingersoll Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Clerk of Ingersoll Township, 4183 S. Smith Crossing Road, Freeland, MI 48623, or phone (989) 695-5200.

INGERSOLL TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2004

ASSETS

Cash and cash equivalents	\$ 438,645
Other receivables	1,262
Due from other governmental units	35,134
Other current assets	11,987
Capital assets:	
Land and improvements, net	181,601
Buildings and improvements, net	137,121
Equipment, net	51,244
Total capital assets	<u>369,966</u>
Total assets	<u>856,994</u>

LIABILITIES

Accounts payable	24,794
Portion due or payable within one year:	
Bonds and contracts payable	3,480
Portion due or payable after one year:	
Bonds and contracts payable	3,480
Total liabilities	<u>31,754</u>

NET ASSETS

Invested in capital assets, net of related debt	369,966
Restricted for:	
Sanitation	111,834
Unrestricted	343,440
Total net assets	<u>\$ 825,240</u>

The accompanying notes are an integral part of these financial statements.

INGERSOLL TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 15,981	\$ -	\$ -	\$ -	\$ (15,981)
Supervisor	11,470	-	-	-	(11,470)
Treasurer	24,418	-	-	-	(24,418)
Assessing	17,129	-	-	-	(17,129)
Clerk	26,560	-	-	-	(26,560)
Board of review	1,200	-	-	-	(1,200)
Buildings and grounds	25,080	5,324	-	-	(19,756)
All other general government	18,088	-	-	-	(18,088)
Fire protection	17,156	-	-	-	(17,156)
Building inspection and regulation activities	17,246	11,774	-	-	(5,472)
Cemetery	14,442	-	-	-	(14,442)
Roads	123,704	-	-	-	(123,704)
Street lights	2,123	-	-	-	(2,123)
Sanitation, solid waste	115,007	124,028	-	-	9,021
Planning and zoning	8,259	-	-	-	(8,259)
Library	14,899	-	-	-	(14,899)
Debt service	949	-	-	-	(949)
Total governmental activities	\$ 453,711	\$ 141,126	\$ -	\$ -	(312,585)
General revenues:					
Property taxes, levied for general purposes					84,096
Property tax agreement with the City of Midland					707
State revenue sharing					214,543
Interest earnings					3,850
Miscellaneous					12,342
Total general revenues					315,538
Change in net assets					2,952
Net assets-beginning					822,288
Net assets-ending					\$ 825,240

The accompanying notes are an integral part of these financial statements.

INGERSOLL TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2004

	<u>General Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 311,837	\$ 126,808	\$ 438,645
Due from other funds	1,262	-	1,262
Due from other governmental units	35,134	-	35,134
Prepaid items	11,987	-	11,987
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 360,220</u></u>	<u><u>\$ 126,808</u></u>	<u><u>\$ 487,028</u></u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 9,820	\$ 14,974	\$ 24,794
Total liabilities	<u>9,820</u>	<u>14,974</u>	<u>24,794</u>
Fund Equity:			
Fund balance:			-
Reserved for prepaid expenditures	11,987	-	11,987
Unreserved and undesignated	338,413	111,834	450,247
Total fund balances	<u>350,400</u>	<u>111,834</u>	<u>462,234</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u><u>\$ 360,220</u></u>	<u><u>\$ 126,808</u></u>	<u><u>\$ 487,028</u></u>

The accompanying notes are an integral part of these financial statements.

INGERSOLL TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances for governmental funds (Exhibit 4)	\$	462,234
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	\$	181,601	
Buildings and improvements		137,121	
Equipment		51,244	
Total capital assets			369,966

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.
Balances at June 30, 2004 are:

Waite Debolt Drain assessment payable to Midland County	\$	(6,960)	
			(6,960)

Total net assets of governmental activities (Exhibit 2)	\$	825,240
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The accompanying notes are an integral part of these financial statements.

INGERSOLL TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended June 30, 2004

	General Fund	Sanitation Fund	Total
REVENUES			
Property taxes	\$ 84,803	\$ -	\$ 84,803
Licenses and permits	19,957	-	19,957
State aid	214,543	-	214,543
Interest and dividends	3,850	591	4,441
Rents and royalties	5,324	-	5,324
Fines and forfeits	470	-	470
Sale of assets	1,850	-	1,850
Miscellaneous	1,838	123,437	125,275
Total revenues	332,635	124,028	456,663
EXPENDITURES			
General Government:			
Township board	15,981	-	15,981
Supervisor	11,172	-	11,172
Treasurer	23,706	-	23,706
Assessing	16,590	-	16,590
Clerk	24,748	-	24,748
Board of review	1,200	-	1,200
Buildings and grounds	17,182	-	17,182
All other general government	17,808	-	17,808
Public Safety:			
Fire protection	17,156	-	17,156
Building inspection and regulation activities	17,246	-	17,246
Public Works:			
Cemetery	13,569	-	13,569
Roads and drains	123,704	-	123,704
Landfill	1,326	113,681	115,007
Street lights	2,123	-	2,123
Community Development:			
Planning and zoning	8,259	-	8,259
Recreation and Culture:			
Library	14,899	-	14,899
Capital Outlay	3,855	-	3,855
Debt Service	4,429	-	4,429
Total expenditures	334,953	113,681	448,634
Excess (deficiency) of revenues over expenditures	(2,318)	10,347	8,029
Net change in fund balances	(2,318)	10,347	8,029
Fund balances-beginning	352,718	101,487	454,205
Fund balances-ending	\$ 350,400	\$ 111,834	\$ 462,234

The accompanying notes are an integral part of these financial statements.

INGERSOLL TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
June 30, 2004

Net change in fund balances - total governmental funds (Exhibit 5)	\$	8,029
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,855) exceeded depreciation (\$12,412) in the current period.		(8,557)
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Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Payable to Midland County - drain commission	3,480	
		3,480

Change in net assets of governmental activities (Exhibit 3)	\$	2,952
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The accompanying notes are an integral part of these financial statements.

INGERSOLL TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2004

	<u>Tax Collection</u>	<u>McKinley Woods</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 216	\$ 216
Miscellaneous receivavble	384	878	1,262
Total assets	<u>384</u>	<u>1,094</u>	<u>1,478</u>
LIABILITIES			
Due to others	-	216	216
Due to other funds	384	878	1,262
Total liabilities	<u>384</u>	<u>1,094</u>	<u>1,478</u>
NET ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Although the Township 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The 2003 taxable valuation of the Township totaled \$65,235,094, on which ad valorem taxes levied consisted of 1.2241 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sanitation Fund accounts for providing garbage and rubbish collection financed by an annual special assessment.

Additionally, the government reports the following fund type:

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

The McKinley Woods Fund is a general agency fund used to collect money from private property owners and pay for services.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Prepaid Items—Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	10 to 40 years
Building improvements	10 to 30 years
Hall equipment	5 to 30 years
Office equipment	5 to 30 years
Computer equipment	5 years

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 438,645	\$ 600	\$ 439,245

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificate of deposit)	\$ 438,645
--	------------

The bank balance of the government deposits is \$438,645, of which \$258,058 is covered by federal deposit insurance.

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 181,601	\$ -	\$ -	\$ 181,601
Capital Assets Being Depreciated				
Buildings	217,089	-	-	217,089
Equipment - Township	98,612	3,855	-	102,467
Subtotal	315,701	3,855	-	319,556
Less Accumulated Depreciation for				
Buildings	75,762	4,206	-	79,968
Equipment - Township	43,017	8,206	-	51,223
Subtotal	118,779	12,412	-	131,191
Net Capital Assets Being Depreciated	196,922	(8,557)	-	188,365
Governmental Activities Capital Assets—Net of Depreciation	\$ 378,523	\$ (8,557)	\$ -	\$ 369,966

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Township as follows:

General government:	
Supervisor	\$ 298
Treasurer	712
Assessing	539
Clerk	1,812
Buildings and grounds	7,898
All other general government	280
Cemetery	873
	<u>\$ 12,412</u>

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 1,262	McKinley Woods	\$ 878
		Tax	384
Total	<u>\$ 1,262</u>	Total	<u>\$ 1,262</u>

NOTE 6. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 6. LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Waite Debolt Drain, assessment payable to Midland County. The principal amount issued at July 1, 2001 was \$17,400, with an interest rate of 4.19% and will be paid off in the year ending June 30, 2006.	<u>\$ 10,440</u>	<u>-</u>	<u>\$ 3,480</u>	<u>\$ 6,960</u>

Scheduled principal maturities of long-term debt for years subsequent to June 30, 2004 are as follows:

<u>Year Ended June 30,</u>	
2005	\$ 3,480
2006	<u>3,480</u>
	<u>\$ 6,960</u>

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 9. PENSION PLAN

The Township provides pension benefits to members of the Township Board of Trustees, constables, building inspector, fire chief and custodian through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 7% of employee gross earnings and the employee contributes 7% of earnings. In accordance with these requirements, the Township contributed \$7,213 during the current year and employees contributed \$7,213.

**INGERSOLL TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 10. URBAN COOPERATION ACT AGREEMENT

The Township has agreements with the City of Midland under the Urban Cooperation Act, which require these two units of government to share property taxes collected on real property annexed by the City of Midland and formerly within Ingersoll Township. Under the agreements, the City of Midland is required to pay the Township a portion of ad valorem property taxes levied on the related real property as of the date specified in the agreements and indexed by the rate of inflation for succeeding years.

NOTE 11. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As of and for the year ended June 30, 2004, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

**INGERSOLL TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 82,505	\$ 82,505	\$ 84,803	\$ 2,298
Licenses and permits	20,000	20,000	19,957	(43)
State aid	220,221	220,221	214,543	(5,678)
Interest and dividends	5,450	5,450	3,850	(1,600)
Rents and royalties	8,000	8,000	5,324	(2,676)
Fines and forfeits	-	-	470	470
Sale of assets	1,800	1,800	1,850	50
Miscellaneous	2,475	2,475	1,838	(637)
Total revenues	340,451	340,451	332,635	(7,816)
EXPENDITURES				
General Government:				
Towship board	19,549	19,549	15,981	3,568
Supervisor	11,713	11,713	11,172	541
Treasurer	28,373	28,373	23,706	4,667
Assessing	16,600	16,600	16,590	10
Clerk	26,459	26,459	24,748	1,711
Elections	1,235	1,235	-	1,235
Board of review	1,825	1,825	1,200	625
Buildings and grounds	23,050	26,550	17,182	9,368
All other general government	43,600	38,500	17,808	20,692
Public Safety:				
Fire protection	19,600	20,600	17,156	3,444
Building inspection and regulation activities	19,880	19,880	17,246	2,634
Public Works:				
Cemetery	25,500	25,500	13,569	11,931
Roads	239,498	239,498	123,704	115,794
Landfill	2,470	2,470	1,326	1,144
Street lights	2,575	2,575	2,123	452
Community Development:				
Planning and zoning	15,378	15,378	8,259	7,119
Recreation and Culture:				
Library	16,000	16,000	14,899	1,101
Capital Outlay	10,000	10,600	3,855	6,745
Debt Service	5,500	5,500	4,429	1,071
Total expenditures	528,805	528,805	334,953	193,852
Excess (deficiency) of revenues over expenditures	(188,354)	(188,354)	(2,318)	186,036
Fund balances-beginning	352,718	352,718	352,718	-
Fund balances-ending	\$ 164,364	\$ 164,364	\$ 350,400	\$ 186,036

September 9, 2004

Members of the Township Board
of Trustees
Ingersoll Township
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Ingersoll Township (the "Township"), for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted a certain matter involving the internal control and its operation that we consider a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

REPORTABLE CONDITION

Computerized General Ledger

The general ledger is the primary financial record of the Township and must reflect all financial activity. During our audit, we noted the Current Tax Collection Fund and General Fixed Asset Account Group are not maintained by the Clerk on the General Ledger. We recommend the Clerk establish this fund and account group on the general ledger to report this information on a monthly basis so that Township Board members can perform their financial oversight responsibility.

OTHER MATTERS

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

Financial Oversight

The general limitations in any smaller municipalities like Ingersoll Township requires that the Township Board of Trustee members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Our comment here is intended to emphasize the importance of this oversight.

Ingersoll Township
September 9, 2004

Outstanding Checks

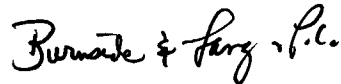
We noted during our audit that the General and Tax Fund checking accounts had checks outstanding for more than one year. We recommend the Clerk and Treasurer investigate the reasons why these checks have been outstanding for so long and proceed accordingly.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2004, financial statements, and this report does not affect our report on those financial statements dated September 9, 2004. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

BURNSIDE & LANG, P.C.